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UNCLAS SECTION 01 OF 02 AMMAN 001526

SIPDIS

COMMERCE FOR 4520/ITA/MAC/ONE/COBERG

E.O. 12958: N/A

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SUBJECT: JORDANIAN HOTELIERS HOPE FOR BETTER DAYS  
POST-SADDAM

1. (U) SUMMARY: Having slightly recovered from a post-September 11 drop in regional tourism, Jordan's hotel industry is now reeling in the face of uncertainty over conflict in neighboring Iraq. Despite the downturn, the sector is not under threat of financial collapse, due to a reluctance on the part of banks to assume ownership of hotel properties and continue creative financing. Hotel managers continue to seek creative ways to work out of the slump, but stress that even a post-Saddam Iraq will not bring sufficient stability to the region that would lead to an increase in tourism unless concurrent progress on the Palestinian-Israeli front is attained. END SUMMARY

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LOTS OF ROOM AT THE INN  
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2. (U) We met with Michel Nazzal, owner of the Radisson SAS hotels in Amman and Aqaba and President of the Jordan Hotel Association (JHA), on March 11 to get an update on the state of Jordan's hotel industry given continued regional instability and the possibility of a conflict with Iraq. The JHA represents Jordan's 400 hotels, and is the major shareholder in the Amman College for Hospitality and Tourism Education, one of the largest such schools in the region. The Nazzal family, owners of the Radisson SAS hotels in Amman and Aqaba, has been in the hotel business since 1923, when it built the since-raided Philadelphia Hotel across from the Roman Amphitheater in downtown Amman. Nazzal has led the JHA since 1999.

3. (U) Nazzal told us that occupancy rates at Jordanian hotels for the spring are hovering at about 20%, the exception being the Intercontinental, currently home to most of the foreign press. (NOTE: For example, according to Nazzal, 267 rooms were filled at the Intercontinental on March 10, compared to 34 at the Four Seasons, 66 at the Holiday Inn, 88 at the Sheraton, and 100 at the Marriott. END NOTE) He said that hotels have already written off spring and are close to doing the same for summer, given the pending conflict. Room rates have fallen as well, with an average rate of JD47 (\$66) for 2002, down from JD100 (\$140) in the late 90s. Nazzal said that even pre-conflict, the trend had been heading downward worldwide, as people "are afraid to fly right now". As a result, the share of tourism in GDP has dropped from 12% to 9% since 2000. Approximately 25,000 workers are employed in the Jordanian tourism industry.

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DEBT ROLLS OVER; HOTELS DO NOT  
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4. (U) Nazzal stressed, however, that despite the low occupancy rates and the attendant effect on revenues, most hotels are not in danger of going out of business, despite the JD174/\$224m in short term debts they collectively owe to local banks. He said that when a hotel is on the verge of bankruptcy, the bank that holds the loan simply rolls it over for another year at 10% interest. Consequently, he said, what little revenue that continues to roll in is spent on servicing the debt, not on hotel upkeep or development. He said that banks don't want hotels to default because "they can't do anything with them; no one wants to buy them, bankers do not want to manage them, and they can't just tear them down". (In addition, some banks already have equity in hotels, see SEPTEL on the banking sector.) Nazzal added that efforts to get the banks to refinance the debt for 20 years at 7% have thus far proven futile. (NOTE: This latter idea grew from a USAID-organized seminar for hoteliers and bankers that focused on seeking creative alternatives to traditional hotel financing held in Amman in February. END NOTE) He also pointed out that the hotel sector in Petra, which has been especially hard hit by the decline in tourism, is a different case. Under a special agreement with the government-owned Industrial Development Bank, which holds most of the Petra hotels debt, the bank accepts cars and houses in lieu of hotel property when default looms, leaving the owner with the hotel and not much else.

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COME TO CAMP JORDAN

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15. (U) As a result of the slump, the JHA is looking creatively at other ways to market the Kingdom. He said that one proposal is regional--to set up summer youth camps in Jordan for kids from Gulf countries. The JHA is projecting that, given the right conditions (i.e. regional stability), the camps could attract 5000 participants the first year. He said the camps would be geared towards recreation, arts, and Arab culture. Nazzal said that it is hoped the families of these kids, with four-five members each, would come to Jordan as well and "fill up our hotel rooms," with packages that attracted medical tourists or other incentives that cater to adults.

16. (U) Another plan is to market Petra as something more than a tourist destination, as "Petra needs something else," according to Nazzal. He said that plans to build a convention center in Petra are being discussed, with an eye towards making it a value-added destination, perhaps a worldwide center for art and sculpture. He said that years ago, for example, Davos was little more than a ski resort; now, "it is a place synonymous with economics and its consequent development into a conference hub reflects that image." He said that Arabs are not interested in cultural tourism, so "we have to find something else. We can't compete with the Emirates on shopping. We can't compete with Egypt, Syria, and Lebanon on gambling, entertainment, and night life. What are we to do?" Regarding Aqaba, he said he still hasn't seen any impact on occupancy rates since the designation of the ASEZA--"they haven't changed for ten years." He said there is little coordination between hotel owners, ASEZA officials, and the Aqaba Chamber of Commerce, but he said the long-term plans were "sound" and hoped they would "truly lead to implementing the overall vision of Aqaba as a world-class tourist destination."

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EX-SADDAM ONLY PART OF THE SOLUTION  
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17. (U) Nazzal concluded by saying that the hotels were girding for better days post-Saddam, but uncertainty over the duration of the conflict continued to be pervasive. He said he hoped it would be "clean and fast", and said that resolution of the Iraqi situation "is only one part of the solution." He said "the U.S. can't forget the Palestinians," and stressed that only stability both east and west of Jordan would bring international tourists back to the region. Nazzal cited the prospect of offering Biblical tourism packages that would include Israel, Palestine, Jordan, Syria and Iraq has having the potential to lead to a "resurrection" of the Jordanian tourist industry.

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COMMENT  
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18. (U) Nazzal's view that a peaceful, post-Saddam Iraq will not alone bring stability to the region is consistent with messages we hear from other Jordanian interlocutors with ties to business, commerce, and finance. Absent a sustained peace and stability on either side of Jordan, we can expect the downturn in tourism to continue, to the detriment of the country and economy as a whole.

GNEHM